

and a store-and-forward function. This ancillary equipment stores the dialed number and then forwards the call through the network of the appropriate carrier. With respect to intraLATA calls, the carrier is Bell Atlantic, and with respect to interLATA calls, the carrier is an interexchange carrier. For each call a carrier receives through this equipment, the carrier -- whether it is the interexchange carrier or Bell Atlantic -- pays a per-call service fee to the owner of the equipment.

Bell Atlantic treats these store-and-forward calls as normal, regulated collect calls. The operator services line of business, which earns the profits from carrying these calls, treats the payment to the third-party vendor as a cost of obtaining individually-profitable collect calls. While the Inmate Coalition appears to argue that this is contrary to the payphone orders, nothing could be further from the truth. The payphone orders do not require the deregulation of collect calling or operator services, either in whole or in part. Instead, they require the deregulation only of facilities associated with payphone services. Report and Order at 82, ¶ 159. Accordingly, it was not improper for Bell Atlantic to treat its PSP costs and revenues -- the costs of, and payments for, providing payphone sets and equipment to inmate institutions-- as deregulated, while treating the cost of and revenues from obtaining and transporting collect calls as part of regulated operator services.

Indeed, it was for this reason that the Bureau rejected the APCC's and the Inmate Coalition's contention that "the uncollectibles associated with inmate calling *must* be included in nonregulated cost pools." Memorandum Opinion and Order, Local Exchange Carriers Permanent Cost Allocation Manual for the Separation of Regulated and Nonregulated Costs at 9-10, ¶ 20 (rel.

June 13, 1997) (emphasis added). Instead, the Bureau properly allowed Bell Atlantic's operator services, a regulated operation, "to treat inmate collect calling as a regulated service." Ibid.<sup>17</sup>

At bottom, the Inmate Coalition is not demanding compliance with the payphone orders. It is demanding that Bell Atlantic adopt a business structure of the Inmate Coalition's choosing. In particular, the Inmate Coalition wishes to force Bell Atlantic to operate as an integrated provider of CPE (PSP) and operator services. But Bell Atlantic is not required to model its business on what the Inmate Coalition's members do, or wish Bell Atlantic to do. To the contrary, consistent with state law requirements, it is permissible for Bell Atlantic to leave its OSP's handling of inmate collect calls as regulated, so long as its PSP's costs and revenues are treated as unregulated -- which is precisely what Bell Atlantic does.<sup>18</sup>

2. Recognizing that its attempt to force Bell Atlantic to alter its structure and deregulate OSP calls has no foundation in the payphone orders, the Inmate Coalition argues that Bell Atlantic's structure will result in cross-subsidies. This is absurd. The cost of handling collect calls from inmates is recovered, under the applicable state and federal tariffs, from the revenues for such calls. Moreover, any transactions between Bell Atlantic's OSP and its PSP are governed by the Commission's accounting rules. This precludes any supposed effort to subsidize PSP operations with regulated OSP revenues.

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<sup>17</sup>This is not to say that BOCs are *required* to treat inmate collect calls as regulated calls. To the contrary, sometimes it will be appropriate for a BOC to treat inmate collect calls as part of unregulated PSP operations. See note 18, infra.

<sup>18</sup>Nothing, of course, bars BOCs from electing to use a business structure akin to that used by the independent PSPs. In such a case, it is entirely permissible, and consistent with the APCC's position, for the BOC to treat both inmate collect call costs and inmate collect call revenues as part of unregulated inmate PSP operations. Indeed, this is precisely what SWBT does. See SWBT CEI Plan Order ¶ 77; SWBT CEI Plan Reply at 15-18. Just as nothing compels BOCs to choose the business structure chosen by the APCC, nothing compels them to choose the business structure adopted by Bell Atlantic either.

Consequently, it is possible that the Inmate Coalition is not arguing that cross-subsidies will occur, but rather that Bell Atlantic's inmate PSP has a competitive advantage based on its relationship with Bell Atlantic's OSP. But, as Bell Atlantic makes clear in its CEI plan, any services provided by Bell Atlantic's OSP to its PSP are equally available to competing inmate service providers. Thus, any benefits that the Inmate Coalition sees in Bell Atlantic's OSP offering (e.g., that the OSP rather than the PSP bears the risk of fraud or non-payment) are equally available to members of the Inmate Coalition.

**C. The CEI Plans of NYNEX, Pacific Bell, Nevada Bell and U S WEST Indicate That They Will Treat Inmate Calls Appropriately**

Rather than level any specific objections to the way NYNEX, U S WEST, Pacific Bell, and Nevada Bell handle inmate calls, the Inmate Coalition argues that their plans lack necessary specificity. The Inmate Coalition is simply wrong.

1. NYNEX. The Inmate Coalition asserts that NYNEX failed to reveal whether it will provide network operator functions under tariff. But, as NYNEX made clear, see NYNEX CEI Plan at 2 & n.4, it will offer the network services underlying its inmate offering (i.e., the inmate PAL) to all PSPs on a tariffed basis. No additional network-based functions are available to the NYNEX inmate calling service.

Like Bell Atlantic, NYNEX's inmate collect calls are handled like any other collect call. Moreover, just like Bell Atlantic, NYNEX's offers its operator services to other inmate calling service providers at non-discriminatory, tariffed rates. Thus, for the reasons explained in the section discussing Bell Atlantic's CEI plan, NYNEX's CEI plan similarly conforms with CEI requirements. See pp. 20-23, supra.

2. Pacific Bell and Nevada Bell. Pacific Bell and Nevada Bell also have provided the very information that the Inmate Coalition accuses them of withholding. The Inmate Coalition

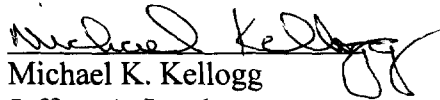
argues (at 18) that Pacific Bell and Nevada Bell failed to specify "whether call processing is or is not defined by PacTel as part of its unregulated [Inmate Calling Service]." But, in their joint reply comments on their joint CEI plan, Pacific Bell and Nevada Bell explicitly stated that all call control and call processing functions for inmate calls "are performed in our unregulated equipment that we discussed in our CEI plan." Reply Comments of Pacific and Nevada Bell at 36 (Feb. 27, 1997). Because this is the method of handling inmate calls used by BellSouth and SWBT, and to which the Inmate Coalition has no objection, see p. 19 supra, the Inmate Coalition's request for review of Pacific and Nevada Bell's CEI plans must be denied.

3. U S WEST. While the Inmate Coalition complains that U S WEST's CEI plan does not discuss inmate calling services with particularity, again U S WEST has provided all of the information that the Inmate Coalition requires. Like Bell Atlantic and NYNEX, U S WEST will handle collect inmate calls like any other type of collect call, and it will offer identical services to affiliated and non-affiliated PSPs under tariff. Letter from Elridge A. Stafford, U S WEST, to William Caton, FCC at 5 (Mar. 21, 1997). Consequently, like Bell Atlantic, U S West has complied with all CEI requirements.

### **Conclusion**

The Application for Review should be DENIED or DISMISSED.

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June 30, 1997

CERTIFICATE OF SERVICE

I hereby certify that on this 30th day of June, 1997, I caused copies of the foregoing RBOC Payphone Coalition's Comments on and Oppositions to Applications for Review of the Payphone CEI Plan Orders to be served upon the parties listed below by hand-delivery or facsimile.

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